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Sorting Out the Medicare Drug Plan

Question: To whom is the drug benefit available?

Answer: Everyone on Medicare.

Question: Do beneficiaries have to do anything to get the new coverage?

Answer: Yes. Beneficiaries will need to sign up for a specific plan, offered not by the government but by private insurance companies, which are subsidized and regulated by the government.

Question: Can people put off a decision until they really need help with their drug costs?

Answer: Yes. But beneficiaries will face higher premiums, with a 1% surcharge for each month of delay. For example, if you delay enrollment for two years, the premium could be permanently increased by 24%.

Question: How much will the new drug coverage cost?

Answer: Premiums, co-payments and other costs vary from one insurance plan to another. Premiums will average \$32 a month but range from less than \$2 to more than \$100. Every state but Alaska will have at least one plan with a premium less than \$20 a month.

Question: Should people sign up even if they currently spend very little on drugs?

Answer: It might be worthwhile to do so. Even if beneficiaries are healthy and don't immediately save money, beneficiaries can obtain protection against unexpected or catastrophic costs just as people do when they insure their homes against a fire or storm damage.

Question: How does a person decide which drug plans are best?

Answer: This will not be easy. In almost every state, more than 40 free-standing prescription drug plans will be available. One plan may cover 1,300 drugs, while another may cover 2,500. Some plans may have lower premiums, but total out-of-pocket costs may be lower under others. Under many plans, beneficiaries will have to pay 20% of the cost of each prescription. Under other plans, beneficiaries will have to pay \$5 for generic drugs, \$25 for a preferred brand-name drug and \$45 for other brand-name medicines. Over all, savings will vary widely, depending on a person's circumstances.

Question: If a Medicare beneficiary signs up for a particular drug plan in 2006, will it be available in later years?

Answer: Not necessarily. The company can pull out of Medicare in 2007. With federal approval, it can raise premiums, cover different drugs or fundamentally change the structure of the benefit. Beneficiaries can then shop for other plans.

Question: Many retirees already have drug coverage from former employers. How does the new Medicare drug benefit work for them?

Answer: In many cases, retirees will want to keep their current coverage because it is more generous than Medicare's standard drug benefit. Many employers have said they intend to maintain drug coverage for retirees next year, with the help of federal subsidies. By November 15, every employer who provides drug coverage to retirees is supposed to send retirees notices stating whether the coverage is at least as good as the standard Medicare benefit. Employers are supposed to send the same type of notice to active workers eligible for Medicare. Retirees who do not receive such notices should check with their former employers. At some companies, retirees may lose all employer-sponsored health benefits, including coverage for doctor's visits and hospital care if they enroll in a Medicare drug plan. Other employers will supplement the Medicare drug benefit or help pay the premiums.

Question: Neighborhood drugstores are giving out information on the new benefit. Can people enroll there?

Answer: In some cases, yes. Many drugstores will allow licensed insurance agents to enroll people on the spot. Pharmacies can distribute marketing materials, including enrollment application forms, for Medicare drug plans. But they are forbidden to steer people to a particular plan.

Question: Many people have private insurance that supplements Medicare. Some of these Medigap policies cover prescription drugs. Can people keep that coverage?

Answer: Yes. But, in many cases, people will save money and get better coverage if they sign up for the new Medicare drug benefit. People cannot have drug benefits from a Medigap policy and a Medicare drug plan at the same time. If people keep a Medigap drug policy that is less generous than the standard Medicare drug benefit, they may face a late enrollment penalty if they decide to sign up for Medicare drug coverage in the future. Those who sign up for a Medicare drug plan in future years can buy a separate Medigap policy to help pay for doctors and hospitals, but not drugs.

Question: What about people who cannot afford drug coverage under Medicare?

Answer: One-third of all Medicare beneficiaries may be able to qualify for extra financial help. The assistance will be available to an individual with annual income less than \$14,355 and assets less than \$11,500. The same type of aid will be available to couples with incomes less than \$19,245 and assets less than \$23,000. Assets include savings, investments, and real estate other than a home.

For Assistance:

Medicare: 800-Medicare or www.Medicare.gov

HICAP: 800-434-0222

Office of Congresswoman Eshoo: 650-323-2984
408-245-2339
831-335-2020

*Prepared by the office of Congresswoman Anna Eshoo